



# ENERGY ASSURANCE DAILY

Wednesday, June 28, 2006

## Major Developments

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### **Update: DOE Approves Two Loan Requests for Lake Charles Refiners Coast Guard Reopens Calcasieu Shipping Channel to Traffic June 28**

U. S. Department of Energy Secretary Samuel Bodman announced today that DOE has approved two loan requests totaling 750,000 barrels from the Strategic Petroleum Reserve (SPR) to two Lake Charles, Louisiana refineries. The two facilities, operated by Citgo and ConocoPhillips, have been cut off from crude supplies and have been forced to run at reduced rates due to the weeklong closure of the Calcasieu Ship Channel. The channel, which connects Lake Charles to the Gulf of Mexico, is a vital transportation route for three area refineries, which make up about 4 percent of total U.S. refining capacity.

Secretary Bodman approved a loan of 500,000 barrels to ConocoPhillips' 239,000 b/d Westlake refinery and another loan of 250,000 barrels to Citgo's 440,000 b/d Lake Charles refinery. Both loans are volumes of sour crude oil from DOE's West Hackberry storage site, which has a draw down rate of about 1.3 million b/d and can store up to 227 million barrels. In a statement Secretary Bodman said that the loans would be delivered to the refineries within two or three days. The crude will most likely be delivered to the refineries via a 36-inch DOE pipeline which connects to the West Hackberry reserve site. The third area refinery, Calcasieu Refining's 85,000 b/d Lake Charles facility, has been forced to run at 25 percent of capacity but cannot be helped by an SPR loan because it is not connected to the pipeline system through which the SPR crude is delivered.

Today, the U.S. Coast Guard reopened the Calcasieu Ship Channel to commercial traffic, one week after shutting the waterway to clean up an oil spill caused by heavy rains. An estimated 29,000 barrels of spilled oil has been removed from the river so far. As of this morning there were 39 vessels waiting to either enter or exit the port. For more information on the energy impact of the closing of the Calcasieu Ship Channel please see editions of the Energy Assurance Daily from the past week.

DOE Press Release: <http://www.energy.gov/news/3789.htm>

Coast Guard Press Release: <http://www.d8publicaffairs.com/go/doc/425/123563/>

OPIIS Alert, 02:02 June 28, 2006

Bloomberg News, 12:48 June 28, 2006

Bloomberg News, 19:28 June 27, 2006

Reuters, 11:11 June 28, 2006

Reuters, 09:49 June 28, 2006

### **Minnesota Pipe Line Ruptures, Cuts Supply to Two Minneapolis Refineries June 27**

A rupture Tuesday night shut the Minnesota Pipe Line, spilling 67,000 gallons of crude oil and cutting off supply to Koch Industries' 280,000 b/d Pine Bend refinery and Marathon Oil's 70,000 b/d St. Paul Park refinery, both located in the Minneapolis area. The Minnesota Pipeline is made up of two parallel pipes. According to officials, the pipe that hasn't ruptured will resume crude deliveries by Thursday, while they hope to have leaking pipe repaired and back in service sometime over the weekend. The Minnesota Pipe Line is fed by the Enbridge Pipeline System at Clearbrook, Minnesota. The Enbridge system supplies the line with crude produced in Alberta. The line is the primary source of crude for both refineries, although the Pine Bend refinery can also receive crude through a connection from the Wood River Pipeline which originates in Missouri. Neither Koch nor Marathon has yet commented on whether the rupture has affected refinery operations. There are no other refineries in Minnesota.

Reuters, 17:00 June 28, 2006

Bloomberg News, 08:21 June 28, 2006

Bloomberg News, 11:24 June 28, 2006

## **Sunoco's 355,000 bpd Philadelphia Refinery May Have Problems**

Sources tell OPIS that part of the refinery has been idled. This refinery is the largest producer on the east coast of RBOB, which is reformulated gasoline blendstock for oxygenate blending.

OPIS Alert, 02:38 June 28, 2006

<http://www.opisnet.com>

## **Electricity**

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### **Wild Fires Knock Out Power to 55,000 Customers in Utah June 27**

Utah Power said that the power was down for several hours and that wild fires were responsible for damaging power facilities last night.

[http://kutv.com/topstories/local\\_story\\_178191447.html](http://kutv.com/topstories/local_story_178191447.html)

### **LS Power's 739 MW Moss Landing Gas-fired Unit in California Restarting June 27**

Unit 6 shut last Saturday after a tube leak.

Reuters, 19:17 June 27, 2006

### **Bruce Power's 750 MW Bruce 4 Nuke Unit in Ontario Shut June 27**

The unit was shut to work on a valve in the steam system on the non-nuclear side of the plant.

Reuters, 08:20 and 11:42 June 28, 2006

### **OPG's 490 MW Nanticoke 6 Coal-fired Unit in Ontario Shut June 27**

Reuters, 11:42 June 28, 2006

### **TXU's 750 MW Martin Lake 3 Coal-fired Unit in Texas Shut June 27**

Unit 3 was shut to fix a boiler tube leak.

Reuters, 08:15 and 11:42 June 28, 2006

### **Edison Mission's 650 MW Homer City 3 Coal-fired Unit in Pennsylvania Restarted June 28**

Reuters, 11:42 June 28, 2006

### **FirstEnergy's 244 MW Ashtabula Coal-fired Unit in Ohio Shut June 28**

Reuters, 11:42 June 28, 2006

### **OPG's 490 MW Nanticoke 2 Coal-fired Unit in Ontario Restarted June 28**

Reuters, 08:37 June 28, 2006

### **Alabama Power's Farley Nuke Worried About Georgia-Florida Water Flow Issues**

The company recently convinced a U.S. district judge to reduce the water flow from the Chattahoochee River into Florida after the judge earlier increased the flow in a previous ruling. Alabama Power is worried that increasing the water flow could hurt operations at the Farley Nuke plant in southeast Alabama.

<http://www.ledger-enquirer.com/mld/ledgerenquirer/news/local/14907623.htm>

### **WV PSC Approves Longview's Proposed 600 MW Coal-fired Power Plant**

The new plant will be built near Allegheny Power's Fort Martin plant. The West Virginia Public Service Commission also granted a certificate of need for a transmission line.

[http://news.moneycentral.msn.com/category/industryarticle.asp?feed=AP&Date=20060627&ID=5829387&industry=IND\\_UTILITIES](http://news.moneycentral.msn.com/category/industryarticle.asp?feed=AP&Date=20060627&ID=5829387&industry=IND_UTILITIES)

### **Draft EIS Released on Planned 250 MW Highwood Generating Station in Montana**

The city of Great Falls and the Southern Montana Electric Generation and Transmission Cooperative intend to build the coal-fired plant and 6 MW of wind generation near Great Falls.

<http://www.kpax.com/Global/story.asp?S=5085337>

### **Exxon Says All Units Working at Torrance, California Refinery After Fire**

ExxonMobil said all units were operating at its 150,000 barrel per day refinery in California that was hit by a small fire in a coker unit.

Reuters, 13:06 June 28, 2006

### **Valero Reports No Impact from Flaring at Texas City, Texas Refinery**

The nation's largest refiner said that the flaring at its 214,000 bpd refinery in Texas City, Texas on Monday and Tuesday had no impact on production.

Reuters, 13:14 June 28, 2006

### **Venezuela Reopens Maracaibo Ship Channel Traffic June 27**

A fuel tanker ran aground in Venezuela's Lake Maracaibo ship channel Tuesday which lead to the closing of the channel. Although port authority officials have reopened the channel today, the ship is still aground and is having its fuel cargo removed so it can be refloated.

Reuters, 15:14 June 27 and 11:21 and 11:30 June 28, 2006

### **EPA Says Boutique Fuels Limit U.S. Options During Supply Disruptions**

#### **Task Force Recommends Regional Clean Fuel Programs**

According to a recently-released report by the U.S. Environmental Protection Agency, boutique fuel requirements would make it more difficult to move gasoline supplies around the country should a fuel supply disruption occur.

The Boutique Fuel Task Force, which was authorized by the Energy Policy Act of 2005, also recommended considering the creation of regional, rather than state, clean fuel specifications.

BFTF Final Report: <http://www.epa.gov/otaq/boutique/resources/bftf62306finalreport.pdf>  
<http://www.wastenews.com/headlines2.html?id=1151344111>

### **Oil Executives Say Energy Independence is 'Naïve' and Harmful to Mideast Relations**

At the U.S.-Arab Economic Forum in Houston, executives from ExxonMobil, Chevron, ConocoPhillips, Marathon Oil and Shell Oil spoke out against the idea advanced by many U.S. lawmakers that the United States is being crippled by its dependence on foreign oil. Among other things, the executives said that energy interdependence "makes sense" and argued that calls for reducing Middle Eastern oil imports would only force producing nations to sell oil elsewhere and deter them from expanding capacity.

[http://www.caller.com/ccct/texas\\_business/article/0,1641,CCCT\\_994\\_4806966,00.html](http://www.caller.com/ccct/texas_business/article/0,1641,CCCT_994_4806966,00.html)

### **Analysts See Energy Threat from Latin America – Senate Hearing**

Last Thursday, Goldwyn International Strategies told the Senate Foreign Relations Committee that the greatest threat to U.S. oil supplies comes not from the Middle East but from Latin America. Goldwyn noted that the United States does not have "strategic engagements on energy" with Venezuela and Brazil, two key producers. Goldwyn also suggested that lawmakers consider enhancing "international energy diplomacy capacity" of the U.S.

Department of Energy.

Energy Security in Latin America: <http://foreign.senate.gov/hearings/2006/hrg060622a.html>  
<http://www.upi.com/Energy/view.php?StoryID=20060626-120547-9628r>

### **Saudis Can't Find Buyers for 350,000 Barrels of Oil**

At the U.S.-Arab Economic Forum in Houston, the Saudi Arabian ambassador to the United States said that 350,000 barrels of Saudi heavy crude has been extracted from the ground and most of it put into tankers, but cannot be sold because the world lacks the refining capacity to process it. Most refineries only have excess capacity capable of processing lighter varieties of crude oil. Saudi Arabia supplied 12.2 percent of total U.S. oil imports in 2005.

<http://www.chron.com/disp/story.mpl/business/4008346.html>

### **Demand for Rocky Mountain Oil & Gas Drilling Soars, BLM Struggles to Keep Up**

Between 2004 and 2006, the number of drilling-permit applications submitted to the Bureau of Land Management increased by 27 percent. Over the same period, BLM has only been able to boost the number of permits approved by 20 percent.

<http://www.heraldextra.com/content/view/184082/4/>

## Natural Gas

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Nothing to report.

## Other News

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### **Dominion Power Wants to Buy Foreign Coal to Fuel Virginia and North Carolina Plants Plans to Build 30,000 Short Ton Import Pier at Chesapeake Station**

Dominion Virginia Power and Dominion North Carolina Power are seeking approval from state regulators to have Virginia Power Energy Marketing secure and deliver low-sulfur foreign coal to coal plants owned by Dominion and other utilities in the states. In their filings, the companies said that sharp increases in the price of Appalachian coal and higher rail transportation costs were requiring them to diversify coal procurement from international sources and non-traditional supply regions. The utilities also noted that they are planning to build a pier at the Chesapeake station by the summer 2007, capable of importing up to 30,000 short tons of coal at a time.

<http://www.platts.com/Coal/News/7559998.xml?p=Coal/News&sub=Coal>

### **Research Firm Releases Report on Protecting Energy Assets and Infrastructure**

A new report being sold by Research and Markets describes the energy industry's challenges and solutions for protecting critical assets including oil and gas infrastructure, transmission grids, power plants, storage, pipelines, and all aspects of strategic industry assets. It includes a special section on Cyber-terrorism and protecting Control Systems.

<http://www.researchandmarkets.com/reports/c38532/>

### **Energy Secretary Says Energy Companies Better Prepared for Hurricanes This Season; Not Sure if They are Prepared Enough**

Wednesday Bodman said, "Substantial improvements have been made but whether they are substantial enough will be a function of what happens during this upcoming season."

Reuters, 13:35 June 28, 2006

## Energy Prices

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U.S. Oil and Gas Prices			
June 28, 2006			
	Today	Week Ago	Year Ago
<b>CRUDE OIL</b> <b>West Texas Intermediate U.S.</b> \$/Barrel	72.15	70.20	58.20
<b>NATURAL GAS</b> <b>Henry Hub</b> \$/Million Btu	6.04	6.62	7.27

Source: Reuters

## Energy Notes

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### **Soaring Ethanol Prices Boosting RFG Prices at Pump**

Oil Daily, June 28, 2006

### **Update: California Energy Commission Says Water-Cooling System Issues Must Be Addressed for 530 MW Contra Costa Unit No. 8**

[http://pro.energycentral.com/professional/news/power/news\\_article.cfm?id=6842643](http://pro.energycentral.com/professional/news/power/news_article.cfm?id=6842643)

## U.S. Scientists Develop Wireless Sensors that Could Protect Power Grids

<http://feeds.bignewsnetwork.com/?sid=45aaf25d07623e0e>

## PdVSA Says Venezuelan Oil Exports to U.S. Have Fallen Because of New Export Markets, Not Production Decline

<http://www.chron.com/disp/story.mpl/ap/fn/4006890.html>

## IEA Says High Prices May Slow Mid-term Oil Demand

Reuters, 07:51 June 28, 2006

## Links

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***This Week in Petroleum*** from the Energy Information Administration (EIA)

<http://tonto.eia.doe.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

***Weekly Petroleum Status Report*** from EIA

[http://www.eia.doe.gov/oil\\_gas/petroleum/data\\_publications/weekly\\_petroleum\\_status\\_report/wpsr.html](http://www.eia.doe.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html)

Updated after 10:30 AM & 1:00 PM EST every Wednesday.

***Natural Gas Weekly Update*** from EIA

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM EST every Thursday.

## ENERGY ASSURANCE DAILY

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<http://www.oe.netl.doe.gov/index.aspx>.

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